



DEPARTMENT OF CONSERVATION
STATE OF CALIFORNIA

December 16, 2003

Notice

To: All Interested Parties

Subject: 2004 Processing Payments, Processing Fees, and Processing Fee Rebates

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Section 14575 of the Public Resources Code (PRC) requires the Department of Conservation (Department) to establish a processing payment and a processing fee for any beverage container type that has a scrap value less than the cost of recycling. (The Department makes processing payments to processors. Processors pay recyclers the entire processing payment. Beverage manufacturers pay processing fees to the Department.) This Notice announces the 2004 processing payments and processing fees.

Pursuant to PRC Section 14575, the calculation of the 2004 processing payment and fee is based on the difference between the scrap value offered to recyclers and the sum of the actual cost for certified recycling centers, excluding centers receiving handling fees, plus a reasonable financial return.

Scrap values are based on the average scrap values paid to recyclers for the period between October 1, 2002 and September 30, 2003.

Assembly Bill 28 (AB 28) (Chapter 753, Statutes of 2003) amended PRC Section 14575 specific to processing payments and fees. Other than as specified in Section 14575(f), Section 14575(e) provides that a processing fee will equal 65% of the processing payment. Section 14575(f), as amended, provides that a processing fee be equal to a specified percentage of a processing payment based on the 1999 calendar year recycling rate for material types in the program on January 1, 1999, and the 2001 calendar year recycling rate for material types not in the program on January 1, 1999.

AB 28 also amended Section 14575(k), directing the Department to reduce processing fees for glass and PET plastic if sufficient surplus funds remain in the respective processing fee accounts and if the calendar year recycling rate exceeded 45 percent in the preceding calendar year.

Table I, attached, shows the following for glass, plastic and bimetal beverage containers:

- The cost of recycling
- The scrap value paid to recyclers
- The total processing payment (if any)
- The processing fee payable by manufacturers (if any)

The processing payments and fees shown in Table I become effective January 1, 2004.

Note to Certified Recyclers: If a receipt and log period overlaps the January 1, 2004 effective date of the new processing payments, the Department recommends that one DR6 be filled out for the period of the old processing payment and another DR6 be filled out for the period of the new payment. Failure to separate the weights may delay your payment. The Department will only make payments at the lower rate for the entire period covered by each overlapping DR6.

Processing Fee Rebate

Pursuant to PRC Section 14575.2(a), the Department must establish a processing fee rebate for all beverage containers sold between January 1, 2002 and December 31, 2003 for which a processing fee was paid.

As authorized by AB 28, the actual payment of the processing fee rebate will be based on each beverage container sold, for which a processing fee was paid. After July 31, 2004, the rebate for each manufacturer will be determined to equal the rebate per container multiplied by all containers sold in 2002 and 2003 for which a processing fee was paid.

Beverage manufacturers who have previously submitted reports and processing fees for 2002 and/or 2003 will be sent a "Processing Fee Rebate Summary" (Rebate Summary) showing the calculated rebate amount. Rebate payments will be made to the manufacturer.

For the purpose of determining processing fee rebates, beverage manufacturers who have outstanding retroactive processing fees due for the 2002 calendar year will have the outstanding amounts, plus applicable interest, deducted from the processing fee rebate. Retroactive processing fees are those additional fees due as a result of a court decision requiring that 2002 processing fees be collected based upon sales as described in the Court Ordered Revised Retroactive Processing Fees for Calendar Year 2002 Notice dated July 10, 2003. Retroactive fees may be paid or unpaid without affecting eligibility for processing fee rebates.

Beverage manufacturers who have not reported and/or paid processing fees for the 2002 and/or 2003 calendar years as of July 31, 2004 are not entitled to a processing fee rebate.

Table II, attached, shows the followings for glass, plastic and bimetal beverage containers:

- The 2003 processing fee payable by manufacturers (if any)
- The 2004 processing fee pursuant to PRC Section 14575(f)
- The processing fee rebate

The AB 28 processing fee rebate equals the 2003 processing fee minus the 2004 processing fee pursuant to PRC Section 14575(f), if greater than zero. If less than zero, the rebate equals zero.

To review notices of changes impacting participants in the beverage container recycling program, please visit the Department of Conservation's Beverage Container Recycling Program home page on the Internet at <http://www.consrv.ca.gov/dor/index.htm> or call the Division of Recycling at (916) 323-3836.

For further information on processing payments and processing fees, please contact Chuck Seidler, Market Research Branch, Division of Recycling, at (916) 327-7599.

Darryl Young
Director

Attachments

| Table I | | | | | | | | | |
|--|-----------|-----------|-----------|------------|------------|------------|------------|-----------|-----------|
| 2004 Processing Payments and Fees | | | | | | | | | |
| Effective January 1, 2004 | | | | | | | | | |
| Glass, Bimetal and Plastic | | | | | | | | | |
| | Glass | Plastic | | | | | | | Bimetal |
| | | PET | HDPE | Vinyl | LDPE | PP | PS | Other | |
| Cost of Recycling per Ton with Reasonable Financial Return | \$81.85 | \$491.87 | \$662.40 | \$1,091.69 | \$3,409.76 | \$1,516.52 | \$6,293.96 | \$778.70 | \$521.15 |
| Scrap Value per Ton | \$7.33 | \$161.46 | \$151.78 | \$12.64 | \$14.00 | \$0.00 | \$0.54 | \$7.87 | \$1.45 |
| Processing Payments to Recyclers | | | | | | | | | |
| Payment Per Ton Redeemed | \$74.52 | \$330.41 | \$510.62 | \$1,079.05 | \$3,395.76 | \$1,516.52 | \$6,293.42 | \$770.83 | \$519.70 |
| Payment Per Pound Redeemed | \$0.03726 | \$0.16521 | \$0.25531 | \$0.53953 | \$1.69788 | \$0.75826 | \$3.14671 | \$0.38542 | \$0.25985 |
| Containers Per Pound | 1.87 | 11.9 | 4.9 | 9.8 | 35.0 | 6.6 | 69.8 | 11.6 | 7.7 |
| Payment Per Container | \$0.01993 | \$0.01388 | \$0.05210 | \$0.05505 | \$0.04851 | \$0.11489 | \$0.04508 | \$0.03323 | \$0.03375 |
| Processing Fee to be Paid by Beverage Manufacturers | | | | | | | | | |
| Processing Fee Pursuant to Section 14575(f) | \$0.00239 | \$0.00167 | \$0.01042 | \$0.03578 | \$0.03153 | \$0.07468 | \$0.02930 | \$0.02160 | \$0.02194 |
| Section 14575(k) Processing Fee Reduction | \$0.00058 | \$0.00000 | \$0.00000 | \$0.00000 | \$0.00000 | \$0.00000 | \$0.00000 | \$0.00000 | \$0.00000 |
| Processing Fee to be Paid by Beverage Manufacturers | \$0.00181 | \$0.00167 | \$0.01042 | \$0.03578 | \$0.03153 | \$0.07468 | \$0.02930 | \$0.02160 | \$0.02194 |

| Table II AB 28 Processing Fee Rebate Glass, Bimetal and Plastic | | | | | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Glass | Plastic | | | | | | | Bimetal |
| | | PET | HDPE | Vinyl | LDPE | PP | PS | Other | |
| 2003 Processing Fee | \$0.00529 | \$0.00573 | \$0.01391 | \$0.00843 | \$0.00207 | \$0.00643 | \$0.00115 | \$0.00867 | \$0.00599 |
| Processing Fee Pursuant to Section 14575(f) | \$0.00239 | \$0.00167 | \$0.01042 | \$0.03578 | \$0.03153 | \$0.07468 | \$0.02930 | \$0.02160 | \$0.02194 |
| Processing Fee Rebate | \$0.00290 | \$0.00406 | \$0.00349 | \$0.00000 | \$0.00000 | \$0.00000 | \$0.00000 | \$0.00000 | \$0.00000 |

Note: The AB28 Processing Fee Rebate is the 2003 processing fee minus the 2004 processing fee pursuant to Section 14575(f), if greater than zero.
If less than zero, the rebate equals zero.